

THE EFFECT OF NET PROFIT ON CASH DIVIDENDS AND STOCK PRICES AS INTERVENING VARIABLES IN MINING SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2018-2022

Kurratul Aini¹, Achmad Fadjar²

^{1,2} Universitas Widyatama

Email: kurratul.aini@widyatama.ac.id, achmad.fadjar@widyatama.ac.id

ABSTRACT

A positive increase in net profit can cause the stock price to rise, because this increase in stock price can affect investor perception and managerial decisions, including certainty regarding future dividend distribution. This study aims to assess the influence of net profit and cash dividends on stock prices as intervening variables. In this study, the data used is panel data, which is a combination of time *series* data and cross section data. The time *series* data used is 2018-2022. The population in this study is all mining sub-sector companies listed on the Indonesia stock exchange. The determination of the sample in this study was carried out using *the purposive sampling* method, with the main criterion of LQ45 index companies. The results of this study found that Net Profit has an effect on Cash Dividends, then Cash Dividends have an effect on Stock Prices.

Keywords: Net Profit, Cash Dividends, Stock Prices

INTRODUCTION

Profits in the current post-pandemic era are very attention-grabbing, many companies have to prepare all their resources and efforts to continue to generate profits to survive in the increasingly competitive competition. Moreover, the current post-pandemic economic situation is in an unstable condition, which requires companies to find ways to remain efficient in carrying out their business activities. For a company to carry out its business activities, it requires funds or capital. For the addition of funds or capital itself, one of them is selling shares to potential investors in the capital market. A. Halim (2018) Defines "The capital market is a market that brings together parties who offer and need long-term funds, whether it is a debt (bond), equity (shares), mutual funds, derivative instruments, or other instruments".

Investors generally invest in companies to obtain returns on their investments, in the form of dividends and capital gains, namely the difference between the market price and the nominal price. The purpose of the company receiving the investment is to obtain the expected return, although there is a possibility of facing risks. (Hertina et al., 2019). For companies, dividend payments can be used to strengthen the company's position in seeking additional funds in the capital market, which shows the importance of dividends for companies and investors. Cash dividend payments are more desirable for investors than in other forms, as cash dividend payments help reduce investor uncertainty in their investment activities within the company. Therefore, before investing in a company, investors generally assess the company's performance. The most important thing that an investor sees is the

income statement because the income statement provides information related to companies that have a fairly good level of net profit accumulation, from one period to the next, and usually have the potential to distribute the net profit to the owner of the company is getting bigger. (Hery, 2018)

According to Kieso & Weygandt (2018), it states that "Cash dividends are the distribution of profits to shareholders in the form of cash. Cash dividends can result in a decrease in profits because dividends are a component of the company's cash". This form of dividend will be distributed in cash to the company's shareholders. According to Harmono (2018), states that "Net *income*, is the company's operating income after deducting costs, interest, and taxes. This net profit shows the extent to which the company's management has succeeded in organizing its business". Profit is also one of the important types of information in a financial statement to calculate dividends that will be distributed to shareholders and that will be retained in the company and is a guideline in determining investment policies and decision-making. In general, the company will increase the dividend payment if the profit obtained by the company increases. The amount of net profit is often used by investors in evaluating a company's profitability.

Additionally, stock prices reflect the market's perception of a company's value. Rachman et al. (2020) revealed that "stock price and profitability ratio are important indicators for investors to assess the company's prospects". The stock price according to Hertina et al. (2021) is the price set by a company based on the influence of supply and demand for shares that occur between sellers and buyers of shares. Scott (2019) explains

that "net profit is one of the key indicators used in the valuation of companies by the stock market. Changes in net profit can affect investors' expectations for the company's future, which is then reflected in the stock price". When a company reports a high net profit, investors often respond by increasing demand for the company's shares, which ultimately increases the stock price. This increase in stock prices can then influence the company's decision to pay dividends as a strategy to maintain a high stock price or as a signal to the market regarding a positive financial outlook.

According to previous research compiled by Fiqh (2021) The results of the study, the results of the hypothesis test of the effect of net profit on cash dividends show that there is an influence between net profit and cash dividends. In contrast to the research conducted by Septiani & Maulani (2023) Where the results of the study showed that net profit partially did not have a significant effect on cash dividends in the commodity and consumer sectors. Previous research compiled by Rinjani & Hasanah (2019) The results of the study showed that net profit had an effect on cash dividends in manufacturing companies in the pharmaceutical sub-sector, as well as the results of operating cash flow, had an effect on cash dividends in manufacturing companies in the pharmaceutical sub-sector.

In addition, previous research conducted by Aryanti & Jayanti (2020) Earning per share had a positive and significant effect on stock prices by moderating the dividend payout ratio. Return on equity has a positive effect on stock prices with the dividend payout ratio as a moderation variable. Then, the Debt-to-equity ratio hurts stock prices with the dividend payout ratio as a moderation variable. The phenomenon of cash dividends in this study is quoted from IDXChannel, PT Adaro Energy Indonesia Tbk (ADRO) distributed a total cash dividend for the 2022 financial year of USD1 billion or 40.11 percent of the company's net profit throughout last year which amounted to USD2.49 billion. In terms of the dividend payout ratio, this amount has decreased from 2021. In 2021, the total cash dividend distributed was USD 650 million or 69.63 percent of the net profit of USD 933.49 million. President Director ADRO, Garibaldi Thohri revealed that currently the company is focusing on developing its business. Thus, ADRO seeks to balance the needs between dividend distribution and the development of its business pillars in the future. (<https://www.indopremier.com/ipotku/newsDetail>). In the above phenomenon, the total cash dividend distribution in 2022 at PT Adaro Energy Indonesia Tbk (ADRO) has decreased from 2021 by 29.52 percent. In another phenomenon quoted from Jakarta, CNBC Indonesia - Garibaldi Thohir's issuer, PT Adaro Energy Indonesia Tbk. (ADRO) recorded a net profit throughout 2022 of USD 2.83 billion or

equivalent to IDR 43 trillion. This achievement skyrocketed by 175% compared to the same period the previous year. The achievement of net profit came from the company's revenue which increased 103% to USD 8.10 billion or equivalent to around IDR 123 trillion. The previous year's revenue was USD 3.99 billion. Apart from weather factors, supply, and geopolitical events that caused prices to remain at a high level, ADRO's revenue surge came from an increase in sales volume and average selling price (ASP) on an annual basis, while ADRO's core profit throughout 2022 increased by 140% to USD 3.01 billion from USD 1.25 billion in the previous year. Meanwhile, operating EBITDA also jumped 139% to USD 5.03 billion. This level is the highest record operating EBITDA in Adaro's history. President Director and CEO of Adaro Garibaldi Thohir said, that with this performance, Adaro managed to record the highest performance in a surprising year for the industry. (<https://www.cnbcindonesia.com/market/20230303072810-17-418507/adro-catat-rekor-kinerja-tertinggi-laba-rp43-t-di-2022>).

Table 1. Net Profit of PT Adaro Energy, Tbk

Company Name	Year	Net Profit	
		(Expressed in thousands of US dollars)	
PT Adaro Energy, Tbk	2021	1,028,593	
	2022	2,831,123	

(Source: Annual Report of PT Adaro Energy, Tbk)

Based on Table 1, it can be observed that the net profit at PT Adaro Energy, Tbk has increased by 37%. This supports the statement on the above phenomenon that PT Adaro Energy, Tbk produced a good performance in 2022. Based on the results of previous research that has been presented by Hery (2022), where the results obtained show results that are inconsistent, and not in line with the theory expressed that companies that have a fairly good level of net profit accumulation, from one period to the next, usually have the potential to be able to distribute part of the net profit to the company owner (shareholder). A positive increase in net profit can cause the stock price to rise, because this increase in stock price can affect investor perception and managerial decisions, including certainty regarding future dividend distribution. In practice, cash dividends are the most frequently performed form of profit sharing. Companies with high dividend payout ratios will attract investors to buy the company's shares so that the company's share price rises (Amarjit: 2010 in Fauzi et al. (2020).

It is revealed in the phenomenon that occurred, showing that the net profit that has increased is not followed by an increase in the distribution of cash dividends. This makes researchers interested in conducting further research that focuses on Net Income, Cash Dividends, and Stock Prices to provide additional confidence. Thus, a report was prepared with the title "The Effect of Net Profit on Cash Dividends and Stock Prices as Intervening Variables in Mining Sub-Sector Companies Listed on the Indonesia Stock Exchange 2018-2022".

LITERATUR REVIEW

Net Profit to Cash Dividend

According to Rudianto (2018) Declaring cash dividends, which is the share of operating profits distributed to shareholders in the form of cash. According to Pasukodewo & Susanti (2020) The statement, if the company's financial performance in generating net profit on sales increases, then this will have an impact on increasing the revenue that will be received by shareholders. The income received by these shareholders is in the form of dividends. In practice, cash dividends are the most frequently performed form of profit sharing. Three important things make the company able to pay cash dividends, namely the availability of retained earnings, and sufficient cash. This is by research by Maulina (2021) That found that net profit has a positive effect on cash dividends. Research by Septiani & Maulani (2023) Shows that net income alone does not have a significant effect on cash dividends.

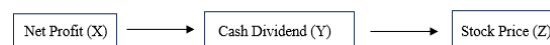
H1: Net profit affects cash dividends.

Cash Dividend on Stock Price

According to Dewi (2020), several advantages for those who own shares, namely obtaining dividends given at the end of the year and obtaining capital gains. Capital gain is the difference between the selling price and the buying price of a share per share divided by the buying price. (Zubir, 2020). Shareholders are entitled to the company's profits which are referred to as dividends and also bear the risk if the company loses money. The shares referred to in this investment are common stocks that are traded on the stock exchange, especially the Indonesia Stock Exchange (IDX). According to Sari (2024) The stock price plays a central role in the calculation of investment returns. Investors look at stock price appreciation and dividends paid by companies to assess the performance of their investments. In addition, Yuliani & Widajatun (2023) It also revealed that investors may be more interested in investing in the company's shares and increasing the demand for the shares, which in turn can increase the company's value. One of the factors that affect the stock price itself is dividends and profit-sharing policies. By monitoring and understanding these factors, investors can make

investment decisions that are more informed and in line with their investment goals. If a company announces a higher-than-expected dividend or is consistent in its dividend payout, this can create positive sentiment among investors and support the stock price. Conversely, a decrease or elimination of dividends can lead to a negative reaction from the market and a potential decline in the stock price. Shareholders often expect dividends as a form of return on their investment.

H2: Cash Dividend on Stock Price.



RESEARCH METHODS

The research method used in this study was by using a quantitative method. According to Duli (2019) the quantitative method was the activity of collecting, processing, analyzing, and presenting data based on the amount or amount of data that was carried out objectively to solve a problem or test a hypothesis to develop general principles. This research was associative research with a form of causal relationship. The determination of the sample in this study was carried out using *the purposive sampling* method, with the main criterion of LQ45 index companies. This is because companies with the LQ45 index are companies that have high liquidity, large capitalization, and also good corporate fundamentals. Thus, the researcher determines the sample requirements as follows:

1. Mining sector companies listed on the Indonesia Stock Exchange from the 2018-2022 period.
2. Mining sector companies listed on LQ45 in 2022.
3. The mining sector company has published an annual *report* that has been audited for the period 2018-2022.
4. The mining sector company has distributed cash dividends at the end of the year consecutively from the 2018-2022 period.

According to Jaya (2020) The data collection technique is a way carried out by a researcher to reveal or capture quantitative information from respondents according to the scope of the research. In collecting research data, researchers collect from various data and various sources related to the research. To obtain the data needed in this study, the researcher conducted library research. Where the technique of collecting data for library *research* is by conducting literature reviews and exploring and reviewing various literature such as books, journals, annual reports, and news related to research.

RESEARCH METHODS

Classical Assumption Test

Table 2. Multicollinearity Test Results

	X1	And
X	1	0.274779286159853 3
And	0.274779286159853 3	1

The results of the multicollinearity test in Table 2 can be seen that there is no high correlation value between independent variables not exceeding 0.80 so it can be concluded that there is no multicollinearity between independent variables.

Table 3. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.683028	0.162536	4.202308	0.0004
X1	-0.024635	0.014836	-1.660502	0.1110
And	-0.166011	0.264350	-0.627996	0.5365

From Table 3, where the value of X is 0.1110 and Y is 0.5365 greater than 0.05, it means that it is free from heteroscedasticity. Therefore, there are no symptoms of heteroscedasticity or passing the heteroscedasticity test.

Panel Data Regression Analysis

In this study, tests were carried out to determine the best model among common effect, fixed effect, and random effect which will be used to determine the regression model of panel data using three methods, namely the Chow test, the Hausman test, and the Lagrange multiplier test.

Tabel 4. Hasil Uji Chow (Common Effect Model / Fixed Effect Model)

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.099698	(4,18)	0.0418
Cross-section Chi-square	13.100776	4	0.0108

The results of the Chow Test in the table above show a Probability F value of $0.0108 < 0.05$, so it can be concluded that the selected model has a fixed effect. Furthermore, it is necessary to carry out the Hausman Test.

Table 5. Hausman test (Fixed Effect Model / Random Effect Model)

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.

Cross-section random	3.108543	2	0.2113
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The results of the Hausman test in the table above show that the Probability Chi-Square value is $0.2113 > 0.05$, so it can be concluded that the model chosen is a random effect. Next, it is necessary to carry out a Lagrange Multiplier Test.

In this study, the LM test was not carried out because the model to be selected was a random effect model. Where this is due to the common effect model, He was not selected in the first test, namely the Chow test.

Table 6. Lagrange Multiplier Test (Random Effect Model / Common Effect Model)

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided			
(all others) alternatives			
Test Hypothesis			
	Cross-section	Time	Both
Breusch-Pagan	0.736685 (0.3907)	0.017897 (0.8936)	0.754582 (0.3850)
Honda	0.858303 (0.1954)	-0.133780 --	0.512315 (0.3042)
King-Wu	0.858303 (0.1954)	-0.133780 --	0.512315 (0.3042)
Standardized Honda	1.872100 (0.0306)	0.092913 (0.4630)	-1.704757
Standardized King-Wu	1.872100 (0.0306)	0.092913 (0.4630)	-1.704757 --
Gourieriou, et al.*	--	--	0.736685 (≥ 0.10)
*Mixed chi-square asymptotic critical values:			
1%	7.289		
5%	4.321		
10%	2.952		

Based on the table above, the results of the LM test show that the Probability Chi-Square value is $0.3907 > 0.05$. Where this means that the chosen one is the common effect model, and based on the three tests that have been tested above, the best model to choose in this study is the common effect model.

Panel Data Regression

The regression equation model for model 1 used in this study is as follows:

$$\text{Cash Dividend} = \beta_0 + \beta_1 \text{NPM} + e$$

According to the results of the data output processed using E-views 9 in the Coefficient column, it produces a constant value of 0.522082 and a Net Profit Margin value of 0.715421.

Substituted Coefficients:

$$Y = 0.522082 + 0.715421 (\text{NPM}) + e$$

The regression equation model for model 1 used in this study is as follows:

$$\text{Stock Price} = \beta_0 + \beta_1 \text{DPR} + e$$

According to the results of the data output processed using E-views 9 in the Coefficient column produced a constant value of 1.619696, the value of the Dividend Payout Ratio was 0.259192.

Substituted Coefficients:

$$Z = 1.619696 + 0.259192 (\text{NPM}) + e$$

Model 1:

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 07/28/24 Time: 19:03				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 6				
Total panel (balanced) observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.522082	0.067719	7.709549	0.0000
X	0.715421	0.011252	3.170551	0.0007
R-squared	0.755041	Mean dependent var		0.565200
Adjusted R-squared	0.835380	S.D. dependent var		0.305275
S.E. of regression	0.299837	Akaike info criterion		0.505463
Sum squared resid	2.067751	Black criterion		0.602973
Log-likelihood	-4.318283	Hannan-Quinn criter.		0.532508
F-statistic	1.878411	Durbin-Watson stat		1.411425
Prob(F-statistic)	0.183744			

Model 2:

Dependent Variable: Z				
Method: Panel Least Squares				
Date: 07/28/24 Time: 19:05				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 6				
Total panel (balanced) observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.619696	0.289857	5.587915	0.0000
X	0.259192	0.453280	5.071815	0.0003
R-squared	0.995950	Mean dependent var		1.473200
Adjusted R-squared	0.993859	S.D. dependent var		0.668323
S.E. of regression	0.677896	Akaike info criterion		2.136972
Sum squared resid	10.56949	Black criterion		2.234482
Log-likelihood	-24.71216	Hannan-Quinn criteria.		2.164018
F-statistic	476.4415	Durbin-Watson stat		1.168429
Prob(F-statistic)	0.000000			

Net Profit on Cash Dividends

The results of the t-test on net profit on cash dividends were obtained t-count of 5.071815 where the results showed that the t-count was greater than t-table 1.70329, meaning that net profit partially affected cash dividends. This explains that mining sector companies that have a good level of net profit accumulation, from one period to the next, usually have the potential to be able to distribute part of the net profit to the company owner (shareholder) in the form of dividends. The results of this study are in line with Brigham and Houston's in Sarumpaet & Suhardi (2019) Statement that dividend payments

depend on the company's net profit so that if the company earns more profit, the ability to pay dividends will be easier. Profitability reflects the result of all financial policies and operational decisions. In addition, the results of this study support research conducted by Fiqh (2021) Those who state that net profit affects cash dividends.

Cash Dividends on Stock Prices

The results of the t-test on cash dividends at the stock price were obtained t-count of 5.071815 where the results showed that the t-count was greater than the t-table 1.70329, meaning that cash

dividends partially affected the stock price. The results of this study are in line with the Sari (2024) Statement, if a company announces a dividend higher than expected or is consistent in dividend payments, this can create positive sentiment among investors and support the stock price. In addition, the results of this study support research conducted by Anggeraini & Triana (2023) Those who state that cash dividends affect stock prices.

Coefficient of Determination

Magnitude adjusted This R² of 0.926257 means that 92.6% of the variation in cash dividends can be explained by the variation of the four independent variables, namely net income and operating cash flow. While the remaining 7.4% is explained by other causes outside the variable.

CONCLUSION AND SUGGESTION

Based on the results of the research and discussion, it can be concluded that net profit affects cash dividends. This can be interpreted that mining sector companies that have a high level of net profit accumulation, from one period to the next, usually have the potential to be able to distribute part of the net profit to the company owner (shareholder) in the form of dividends. A high net profit will attract investors to invest their funds in the company through stock purchases. The more investors who are interested and interested in buying the company's shares, the company's share price will increase. The distribution of cash dividends or the consistency of cash dividend distribution will affect the stock price. Because stockholders expect dividends as a form of return on their investment. So, one of the factors that affect the stock price itself is the high net profit and cash dividend distribution.

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